



Memorandum from the Office of the Inspector General

March 17, 2006

Paul R. LaPointe, WT 3A-K

FINAL INSPECTION REPORT 2006-509I – REVIEW OF TVA’S USE OF EBAY TO DISPOSE OF SURPLUS ASSETS

We performed a limited scope review to assess the process and controls over the sale of TVA assets on eBay, including how eBay is chosen for the sales mechanism, reserves are determined, and payments are received and accounted for. Our review of the TVA Investment Recovery (IR) procedure for eBay sales (eBay Sales), dated December 6, 2005, identified several opportunities for improvement.

BACKGROUND

During a previous inspection on TVA’s purchasing card usage (OIG Inspection 2005-524I), we noted Visa purchasing card charges associated with eBay Sales. Upon inquiry, we were told by a TVA Procurement Senior Manager that Investment Recovery (IR) planned to significantly increase the use of eBay as a disposal mechanism. Accordingly, we initiated this inspection to access applicable processes and controls. Subsequent to the start of our inspection, Procurement issued an IR procedure pertaining to eBay Sales. This policy indicates that “things primarily considered for eBay Sales should be items the general public would be interested in buying such as vehicles, boats, trains, helicopters, tickets, pumps etc. Utility material and equipment may also be considered when deemed appropriate.”

TVA IR is tasked with redeploying or disposing of TVA assets identified as surplus. Disposal is executed through direct sales, live auctions, contributions, and eBay auctions. According to the IR Manager, all of the IR personnel are certified appraisers and set sale prices based on their experience and review of information. IR began using eBay to dispose of surplus TVA assets in May 2003. Items that IR sales on eBay are generally items that would appeal to the general public. Per information supplied by IR and obtained from eBay, TVA eBay Sales totaled \$247,644 through January 13, 2006. The sale of a TVA helicopter accounted for \$205,100 of the sales. The remaining sales included the following items: (1) hose; (2) utility carts; (3) Tennessee Titan Permanent Seat Licenses; (4) boats and motors; (5) copying equipment; and (6) snow plow and utility bed.

Payments for eBay Sales are accepted via IR PayPal,¹ cashiers check or wire transfer to Treasury. The PayPal account is administered by an IR employee. When PayPal receives payments from buyers, the employee will log onto PayPal and instruct them to send a check to Treasury. The employee stated that only they have the ability to e-mail PayPal for fund disbursements.

¹ PayPal, an eBay Company, enables individual or business with an e-mail address to securely, easily and quickly send and receive payments online.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review is to assess the process and controls over the sale of TVA assets on eBay, including how eBay is chosen for the sales mechanism, reserves are determined, and payments are received and accounted for. To achieve our objective, we:

- Interviewed IR personnel to identify any policies or procedures in place over the use of eBay as a sales mechanism for TVA surplus assets.
- Contacted eBay to obtain information on sales made under eBay identification numbers (ID) known to be used by IR.
- Reviewed Procurement policies and procedures regarding disposal of surplus assets and asset redeployment.

Our scope included sales made of surplus assets by IR using eBay as the sales mechanism. Our scope did not include testing to confirm the accuracy of the data provided by IR personnel or eBay. This inspection was conducted in accordance with the "Quality Standards for Inspections."

FINDINGS AND RECOMMENDATIONS

Our review of the TVA IR procedure for eBay Sales dated December 6, 2005, identified several opportunities for improvement. The procedures do not adequately address the minimum acceptable price and payment processes/controls. In addition, the procedure provides organizations, which may not have IR's expertise, the ability to sell TVA assets on eBay. Specifically:

- The procedure does not specify how a minimum acceptable sales price will be established/ensured. According to IR, when an item is placed on eBay, TVA places a bid which establishes the acceptable minimum—this is done in lieu of setting an eBay reserve amount.
- With regard to payments, the procedure states, "In addition to money orders, cashiers checks, and wire transfers TVA will accept PayPal. No items will be shipped until monies are received." The procedures do not:
 - Specify that all payments are to be made to TVA Treasury.
 - Identify a method, whereby, eBay Sales can be independently verified/reconciled against receipts. The current method for receipt of payment for sales made on eBay does not appear to provide for proper segregation of duties between sales and accounts receivable.
- The IR eBay policy states that other organizations may gain approval from IR to obtain its own e-Bay IDs and conduct sales on their own. However:
 - Other departments may not have the expertise to determine proper market values of surplus material.
 - Multiple sales points will (1) make it more difficult to properly reconcile eBay Sales to receipts and (2) increase the risk of the misappropriation of TVA assets.

RECOMMENDATIONS

The Senior Vice President of Procurement should:

- Include in the eBay Sales procedure requirements for ensuring a minimal acceptable sales price.
- Implement a control whereby independent third party data on TVA eBay Sales is reconciled to TVA Treasury receipts.
- Reconsider its policy which allows other TVA organizations to establish their own eBay IDs to dispose of surplus assets.

Management agreed with our recommendations and has revised the eBay Sales procedure to address (1) requirements for ensuring a minimal acceptable sales price and (2) controls pertaining to eBay IDs. The revised eBay Sales procedures also specifically states that all payments will be made to TVA Treasury. Management plans to establish a reconciliation process, whereby, TVA eBay Sales are reconciled to TVA Treasury receipts. We agree with the planned actions and actions taken to-date. Please notify us when final action is complete.

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For your information, we are forwarding all final audit and inspection reports to two Congressional committees in accordance with a requirement which applies to other Inspectors General as well. In addition, we are considering whether this report and/or a summary should be posted on the OIG Web page. Please advise us if you believe this report contains any sensitive information which should be withheld, (including the response(s) to the draft report). If we have not heard from you within 20 calendar days of the date of this memorandum, we will assume you have no objection to release of this report in its entirety.

If you have any question, please contact Rick Underwood, Senior Auditor, at (423) 751-3108 or Gregory C. Jaynes, Deputy Assistant Inspector General Inspections, at (423) 751-7821. We appreciate the courtesy and cooperation received from your staff during the review.



Ben R. Wagner
Assistant Inspector General
(Audits and Inspections)
ET 3C-K

RCU:JAP:BKA

Attachment

cc (Attachment):

William H. Bonham, ET 5B-K
Peyton T. Hairston, Jr., WT 7C-K
Tom D. Kilgore, WT 7B-K
Richard W. Moore, ET 4C-K
Andrew B. Neal, HDC 1A-DST
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